

**2013 SENATE FINANCE AND TAXATION**

**SB 2277**

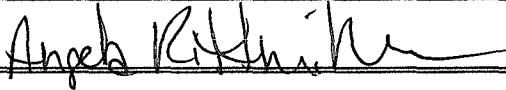
# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2277  
1/28/2013  
Job Number 17781

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 57-39.2 of the North Dakota Century Code, relating to a sales and use tax exemption for clothing; to provide an appropriation; and to provide an effective date.

### Minutes:

Testimony Attached

**Chairman Cook** opened the hearing on SB 2277.

**Senator Sinner** introduced SB 2277, see attached testimony 1. He then handed out emails he received in favor of SB 2277, attachments 2-7 and proposed amendments attachment 8.

**Vice Chairman Campbell** - What is the fiscal note on this approximately per year?

**Senator Sinner** - For the biennium it's about \$40 million.

**Senator Miller** - What is your opinion on just lowering the tax for everybody, just cutting a penny or two off the entirety of the tax rather than figuring out what we are going to tax and what we aren't going to tax?

**Senator Sinner** - I'm in favor of that proposal, however there are, I believe 28 current exemptions on the law if you eliminate all of them I'd be greatly in favor of that but a lot of those current exemptions pertain to, for example, farmers, and I don't think you want to take those off.

**Senator Miller** - For example, Ag machinery is something that is used in a business production, as is clothing, but I would say taxing the end product which clothing is the end product, is generally the way I view, is the important way to tax any kind of sales. You want to tax that final good rather than the raw materials. Wouldn't it have a broader benefit to everybody if we were to lower the sales tax to 4% perhaps, maybe remove some of those exemptions?

**Senator Sinner** - Currently there are several industries in business that do pay sales tax on their equipment, agriculture not being one of them. I'm not saying we should, in fact I'm in favor of the current law. In regard to your question regarding reducing sales tax, I'm 100% in favor of that.

**Chairman Cook** - That raises a good question, we've got 2 types of exemptions, one are exemptions to the base, nobody pays tax on them, and the other exemption is based on who the customer is that's making the purchase. Let's take that off the table and just look at exemptions to the base. I agree philosophically that sound tax policy would be to expand the base and lower the rate. Do you agree with that?

**Senator Sinner** - If you are going to lower the rate it depends on where you go with that. If you are just saying lower it a quarter of a percent and expand the base then I might disagree. It all depends on the bill.

**Chairman Cook** - We certainly wouldn't do it in a manner which would be a tax increase that's for sure. It would be neutral or hopefully a tax decrease.

**Senator Sinner** - I like the thinking, but it's pretty hard for me to commit to saying I'd vote yea on a bill without seeing a bill.

**Chairman Cook** - It's based on that philosophy and I think we are in agreement, that's always been one of my biggest concerns with legislation that goes the other way, it starts reducing the base. I understand that we all have to buy clothing, but we're still reducing that base. We have an appropriation in here to hold cities and counties harmless, there are other things that the state tax, I think this will be the first time that we are spending this type of money just to keep them harmless. I'm not too sure if that's a good road to go down.

**Senator Sinner** - Correct me if I'm wrong but I think we are doing something similar to that with property taxes right now.

**Chairman Cook** - I think we are comparing apples and oranges here. I'm talking about sales tax and the city and the state has to have the same sales tax base, and we do, but this will be the only time where we are reimbursing the city for the fact that we take that part of the base away from them. Are you doing that because you think that is sound policy or to make sure they aren't here speaking against the bill?

**Senator Sinner** - I'm doing that because I believe the local subdivisions need the money in their budgets. If we can find another way for them to raise that revenue, I'd like to eliminate that if we can find another way for them to get that revenue without doing this part of the bill, but I know they would come in and oppose this because to them it's about \$10 million a biennium and I know they need those revenues.

**Senator Dotzenrod** - Part of your argument that you've made this morning is that behavior and where people shop is influenced by the tax rate. If that's a good argument then you'd think that the clothing sales would be predominantly on the Minnesota side and the minority would be on the North Dakota side. It does seem that when you listen to the Minnesota political leaders they are kind of on the defensive in trying to figure out what they can do to get shoppers to come over and they feel they are disadvantaged in some way. So if your argument is correct, that we could benefit here by lowering this rate, why is it under the current circumstances we seem to have a predominance and a fairly larger advantage on the North Dakota side when it comes to selling clothing as compared to Minnesota.

**Senator Sinner** - I think that if you looked at the sales at the Moorhead Herberger's compared to the Fargo Herberger's I think you would find a complete difference there. I think the place where businesses locate has a little more to do with other source of business reasons than the incentive on sales tax.

**Representative Haak** - See attached testimony 9 in favor of SB 2277.

**Representative Kelsh** - I just want to go on record in support of this bill.

**Chairman Cook** - Does the passing of this bill make sales tax more regressive or less regressive in your mind?

**Representative Kelsh** - In my mind this makes sales tax less regressive simply because it's a basic necessity.

**Chairman Cook** - Would there not be an argument made that wealthy people who can go out and purchase more expensive clothing and receive a much greater benefit from this reduction than the lower income people who can't afford that. I think maybe this would make it more regressive.

**Representative Kelsh** - That is a very good point and in fact in the state of Minnesota right now they are considering an exemption up to the first \$500 on any article of clothing for that very reason.

**Mike Rud, ND Retail Association** - See attached testimony 10 in favor of SB 2277.

**Representative Hanson** - See attached testimony 11 in favor of SB 2277.

**Senator Miller** - There is a bill in your chamber that would cut the sales tax from 5% to 4%, its fiscal note is a half billion dollars, this fiscal note is \$40 million, it seems like sales on clothing doesn't make that much of an impact to our state so I'm trying to wonder what really is the benefit to the taxpayer? It says here in your testimony that we have an \$1,100 per year, I can guarantee that I don't spend \$1,100 on clothing in a year. Isn't there a better way that we can address tax reform and cut taxes and give money back to people other than further eroding our tax base here?

**Representative Hanson** - I concur. I myself do not spend that much in any one year on clothing. I do understand your concern that this is relative to the state budget, a drop in the bucket, but we think it specifically targets those that are getting on their feet, in high school or college, or families trying to work their way up and that gives them some ease with a necessity of clothing to make those purchases and generate more revenue for local businesses. We think it's targeted in such a manner that would increase commerce.

**Senator Miller and Representative Hanson** momentarily conversed. (recording time 29:30)

**Senator Burckhard** - Tell me what you think of this theory. My thinking in life is that if you live in town A, you want to go to town B to shop because it's bigger, people in town B want

to go to town C which might be Fargo and people who live in town C might go to town D which is Minneapolis. They seem to all want to go to the next biggest town to shop. I don't think they care about the sales tax rate. What do you think about that?

**Representative Hanson** - Of course there are other factors, of course people want to go to the bright lights of a bigger city if they are in a smaller town in some cases, but this is a factor and it may become, especially with those in need, a determining factor to whether they are buying this X amount of clothes for their children or for themselves.

**Chairman Cook** asked for testimony opposed to SB 2277.

**Keith Magnus, ND League of Cities**, expressed his concern of the reduction in revenue for cities and counties.

**Senator Miller** - Representative Haak had said that with online shopping we've got a 6.5% give or take price advantage. Why do we even tax sales? Why don't we just get our income from someplace else?

**Keith Magnus** - That's a decision for this body, but it is a tool you have given to cities and if you take it away from cities, we need another tool.

**Myles Vosberg, Tax Department**, explained the proposed amendments (attachment 8).

**Chairman Cook** closed the hearing on SB 2277.

# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2277  
2/6/2013  
Job Number 18398

Conference Committee

Committee Clerk Signature

*Angela Rippstein*

### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 57-39.2 of the North Dakota Century Code, relating to a sales and use tax exemption for clothing; to provide an appropriation; and to provide an effective date.

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2277.

**Senator Triplett** - I think it is important to put the amendment on because I think different people would vote differently for it or against it depending on whether the local governments are made whole. The testimony we received from Myles Vosberg is that the amendments his office prepared for Senator Sinner means no loss to the counties with the amendment so I would move the amendment.

Seconded by **Senator Dotzenrod**.

**Chairman Cook** - Whether it's a one-time appropriation or whether it's a continuing appropriation, that's part of what I don't like about the bill and the fact that this would be the one thing in our sales tax base that the state would not tax and then send the money through the city because they aren't allowed to tax it. It's a trend we don't need to start, I can just about imagine next session the 'me too' that would come that would jeopardize the one common sense rule that we do have in sales tax and that is that the sales tax base of the state and the city are the same, or the political subdivisions are the same. Sales tax is already a burden on those who have to collect and remit them. This is an added burden to the tax department, but that's my biggest fear, you're not going to get the support of the cities either way, I don't think.

**Senator Triplett** - I think this is the last of the necessities. We already have food out of the tax base entirely and we are working on homestead credit for making sure no one gets put out of their home because they can't afford to pay taxes. Food, clothing, and shelter I think we all agree that those are the necessities of life and this is the last of the necessities of life that we haven't provided some special tax treatment for, so I think there is a way of drawing a line, and the line is necessities. So, I would certainly stand with you and hold the line 2 years from now if someone else comes in, but I intend to vote in favor of this.

**Roll Call Vote (on amendment) 4-3-0**

**Senator Miller** - I will move a **Do Not Pass as Amended**.

Seconded by **Senator Oehlke**.

**Senator Triplett** - It does hold the cities and counties harmless and so I think that really should take care of their objections. I don't think we are opening a can of worms because it is the last of the necessities that we are dealing with. I think if our effort to find balance across the various tax types we really have almost completely ignored the sales tax. (7:55)

**Chairman Cook** - I think we are certainly going to work toward balance. I'm not too sure sales tax is one of them that need to be part of it.

**Senator Miller** - I never really felt that the clothing tax was anything of any massive burden. You need to have food, shelter, and clothing. Those are the necessities. We do tax shelter to some degree; I guess you could live in a tent if you wanted to. We tax clothing, but, you don't need expensive clothing, you just need enough to cover your body and stay warm. With the way our society is, in the United States in particular, clothing is pretty cheap and it lasts, it's fairly high quality. I prefer the idea of general lowering the rate and I think it empowers us more to have a broad base to lower the rate and that is why I oppose this bill.

**Senator Dotzenrod** spoke about a bill he sponsored years ago regarding a Canadian exemption.

**Vice Chairman Campbell** - In measure 2 it was loud and clear they wanted property tax relief and nobody ever mentioned sales tax on clothing at all and the people I have talked to it was just one of those things.

**Chairman Cook** - One could argue that it makes it more progressive because people who have money and taxes don't impose such a burden buy the \$500 suits and those who can't afford the \$500 suit buys the \$125 suit and the sales tax paid on that \$125 suit I would argue places more of a burden on that person than the burden placed on the person who can afford the \$500 suit. That is why you see in a lot of states they try to really address the regression of sales tax on clothing by creating a threshold which is nothing more than another huge burden on the tax collector. (14:17)

**Senator Burckhard** - I have many female constituents who would say sales tax, a lot of money is spent on clothing. If your sales tax revenues are off the charts, which they seem to be doing pretty well, this would be the next best one to reduce so I think I'm going to vote in favor if the sales tax exemption for clothing.

**Roll Call Vote 4-3-0**

Carried by **Chairman Cook**.

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/12/2013**

Amendment to: SB 2277

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(35,880,000)	\$(3,120,000)		
Expenditures						
Appropriations			\$9,700,000			

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2277 provides a sales tax exemption for clothing.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of engrossed SB 2277 defines the clothing exempted from sales tax and provides for a continuing appropriation to home rule cities and counties that impose local option sales taxes.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, engrossed SB 2277 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$39 million in the 2013-15 biennium. Cities and counties that impose local sales taxes would also be required to exempt clothing. This is expected to reduce local sales tax collections by an estimated \$9.7 million in the 2013-15 biennium.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*



- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 1 contains a continuing appropriation of \$9.7 million each biennium from the state general fund to the home rule charter sales tax reimbursement fund. This fund is used to facilitate payments to cities and counties for lost local sales tax revenue due to the clothing exemption.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 02/13/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/21/2013**

Bill/Resolution No.: SB 2277

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(35,880,000)	\$(3,120,000)		
Expenditures						
Appropriations			\$9,500,000			

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities		\$(200,000)	
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2277 provides a sales tax exemption for clothing.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2277 defines the clothing exempted from sales tax and provides the method by which the tax commissioner will allocate an amount appropriated by this bill among cities and counties that impose local sales taxes.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, SB 2277 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$39 million in the 2013-15 biennium. Cities and counties that impose local sales taxes would also be required to exempt clothing. This is expected to reduce local sales tax collections by an estimated \$9.7 million in the 2013-15 biennium. Section 2 of SB 2277 appropriates \$9.5 million from the state general fund to be allocated among cities and counties; therefore, the net effect is a small reduction in local revenue, estimated to be \$200,000 in the 2013-15 biennium.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 3 contains an appropriation of \$9.5 million from the state general fund to the tax commissioner to facilitate payments to cities and counties for lost sales tax revenue due to the clothing exemption.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/25/2013

13.0481.02001  
Title.03000

Adopted by the Finance and Taxation  
Committee

February 6, 2013



Handwritten signature and date: 2-6-13

PROPOSED AMENDMENTS TO SENATE BILL NO. 2277

Page 1, line 2, replace "an" with "a continuing"

Page 1, remove lines 10 through 14

Page 5, after line 1, insert:

"8. Notwithstanding any other provision of law, the state treasurer shall deposit in the home rule charter sales tax reimbursement fund, which is hereby created, a portion of the sales and use taxes collected under this chapter and chapter 57-40.2, equal to four million eight hundred fifty thousand dollars. The deposit to the fund must be made no later than July thirty-first of each year for the purpose of offsetting the reduction in city or county revenue lost from the exemption in this section. The revenues deposited in the home rule charter sales tax reimbursement fund are provided as a continuing appropriation for distribution by the state treasurer no later than August thirty-first of each year, in the amounts as certified by the tax commissioner, to the home rule cities and counties that impose a sales, use, or gross receipts tax. No later than June thirtieth of each year, the tax commissioner shall certify to the state treasurer the annual allocation of funds to the cities and counties prorated in proportion to the respective share of each city and county with respect to total annual statewide city and county home rule sales, use, or gross receipts tax collections in the previous calendar year."

Page 5, remove lines 2 through 6

Re-number accordingly

Date: 2-6-13  
 Roll Call Vote #: 1

**2013 SENATE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2277**

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.0481.02001 title .03000

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Senator Triplett Seconded By Senator Dotzenrod

Senators	Yes	No	Senator	Yes	No
Chairman Dwight Cook		X	Senator Jim Dotzenrod	X	
Vice Chairman Tom Campbell		X	Senator Connie Triplett	X	
Senator Joe Miller		X			
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

Total (Yes) 4 No 3

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 2-6-13  
 Roll Call Vote #: 2

**2013 SENATE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2277**

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Senator Miller Seconded By Senator Oehlke

Senators	Yes	No	Senator	Yes	No
Chariman Dwight Cook	X		Senator Jim Dotzenrod		X
Vice Chairman Tom Campbell	X		Senator Connie Triplett		X
Senator Joe Miller	X				
Senator Dave Oehlke	X				
Senator Randy Burckhard		X			

Total (Yes) 4 No 3

Absent 0

Floor Assignment Senator Cook

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2277: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2277 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "an" with "a continuing"

Page 1, remove lines 10 through 14

Page 5, after line 1, insert:

"8. Notwithstanding any other provision of law, the state treasurer shall deposit in the home rule charter sales tax reimbursement fund, which is hereby created, a portion of the sales and use taxes collected under this chapter and chapter 57-40.2, equal to four million eight hundred fifty thousand dollars. The deposit to the fund must be made no later than July thirty-first of each year for the purpose of offsetting the reduction in city or county revenue lost from the exemption in this section. The revenues deposited in the home rule charter sales tax reimbursement fund are provided as a continuing appropriation for distribution by the state treasurer no later than August thirty-first of each year, in the amounts as certified by the tax commissioner, to the home rule cities and counties that impose a sales, use, or gross receipts tax. No later than June thirtieth of each year, the tax commissioner shall certify to the state treasurer the annual allocation of funds to the cities and counties prorated in proportion to the respective share of each city and county with respect to total annual statewide city and county home rule sales, use, or gross receipts tax collections in the previous calendar year."

Page 5, remove lines 2 through 6

Renumber accordingly

**2013 TESTIMONY**

**SB 2277**



Testimony to the Senate Finance & Tax Committee  
Monday, January 28, 2013

Mr. Chairman and members of the committee,

My name is George Sinner, I am the Senator from District 46.

Thank you for allowing me to come before you today to present my testimony on Senate Bill 2277. As you know, SB 2277 will exempt from sales tax all sales of clothing and related items in North Dakota beginning on August 1, 2013. This bill will also reimburse to all political subdivisions monies that they would have received if they would have had their local tax in place. I am the prime sponsor of this bill and I have the testimony of some other people to present to you today in support of this bill.

The purpose of Senate Bill 2277 is threefold:

1. First, this bill would provide tax relief to all North Dakotans, regardless of their financial ability or their prominence in society. Every single person in North Dakota, by law, is required to wear clothing. According to a 2011 study by NDSU, the average farm family of 2.6 people spends \$2227 on clothing. That equates to a family of four spending almost \$3500 a year or \$245 on sales tax. Statistics show that farm residents are older than the average person and thus, most likely, spend less than the average person that lives in town. I can personally verify that teenagers can spend a lot more than \$1000 each.
2. The second reason for this bill is to provide some tax relief to those workers who are required to wear special clothing or uniforms to work. Let me give you an example: My wife works as a Registered Nurse for a local hospital. For the past few years she and her co-workers have averaged several hundred dollars per year in clothing purchases, just for their job. These required uniforms are not items that would or should be worn in public and they receive no reimbursement from their employer.
3. The third reason is to provide the clothing retailers of North Dakota a level playing field with our neighbors. As many of you know, neither Minnesota nor Montana have a sales tax on clothing. I met with the owners of West Acres, Scheels, and Straus, all of whom were strongly in favor of this

proposal. Again, with no clothing tax in Minnesota, many shoppers simply travel across state lines and make their purchases.

Another factor to consider is that each summer as families prepare for the upcoming school year, they make their annual trek to make school clothing purchases....and many cross over to our neighboring states to either an outlet mall or the Mall of America because they can save at least 7% of their total purchases.

Mr. Chairman and members of the committee, some would have us believe that the bill to provide corporate tax relief does more to promote North Dakota. I strongly disagree. The corporate tax relief plan provides \$25 million to "C" corporations doing business in North Dakota. And according to the legislative council, 82% of that past corporate tax relief went to out of state companies....companies like Continental Resources, Walmart, Baker Hughes, Target, and many others. Let me ask you...why would we give over \$20 million to the shareholders of out of state companies? Why would we send \$20 million to the hedge fund managers of Wall Street? Think about it...that's where the money goes. How will you explain that to your constituents when they ask? How will you answer the question about why you gave tax relief to Walmart and passed on the opportunity to help both the customer and Walmart?

Recently, as the state of Minnesota contemplates ways to increase revenues, one proposal would tax individual clothing sales of \$200 or more. During a recent press conference, Maureen Bausch, the executive vice president of business development for the Mall of America stated this change would significantly impact the state's largest tourist site.

"When people are deciding whether to come to Minnesota, the fact that we don't have a tax on clothing is one of the top three factors," Bausch said. "If we add this tax on apparel, it will absolutely affect our tourism trade."

Mr. Chairman and members of the committee, we can absolutely affect our tourism trade as well in a very positive way. And we can something we have all talked about these past several months....provide tax relief to every North Dakotan.

As I campaigned throughout District 46 this past fall, I personally visited nearly every single home. And, more often than not, the person I met at the door was a woman. When asked the one thing they would like to see this legislature accomplish this session, the predominant answer was "tax relief". And nearly every woman stated they loved the proposal to remove the sales tax on clothing. Folks, women, as mothers and spouses, are the main buyers of clothing for the family. So, I ask you, before you cast your vote here in committee on this bill, please speak to the women in your life and ask their opinion...Walmart tax relief or eliminate the sales tax on clothing? My bet is that they will nearly all agree that it is time for this tax to go.

Finally, before the committee closes this hearing I respectfully request that I be able to present further testimony from folks who favor this bill.

Mr. Chairman and members of the committee, I recommend that you forward this bill to the full Senate with a unanimous Do-Pass recommendation and help everyone in North Dakota. Thank you.

**Sinner, George B.**

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**From:** MARY C TINTES <mctintes@msn.com>  
**Date:** Monday, January 28, 2013 8:08 AM  
**To:** Cook, Dwight C.; Campbell, Tom S.; Burckhard, Randall A.; Miller, Jacob T.; Oehlke, H. Dave; Triplett, Constance T.  
**Cc:** Sinner, George B.  
**Subject:** SB 2277 - Please vote yes

**Importance:** High

Good Morning Chairman Senator Cook, Vice Chairman Senator Campbell, and members of the Finance & Tax Committee:

I am writing to express my support for SB 2277 and to ask you to support this bill, as well. While many corporations and out of state businesses are enjoying booming profits in parts of ND, there are many more hard-working lifetime residents and small businesses in our state that are not necessarily enjoying the same financial windfall. SB 2277 would help ND small businesses to be more competitive and even more importantly, it would help hard-working students, individuals, and families all across our state to receive some tax relief benefit from their own state's success for a basic necessity, such as clothing.

It just makes good common sense to keep more dollars in our ND retail communities and help ND workers and families stretch their hard-earned dollars a little farther, wouldn't you agree? I hope you do agree with me and hope you will vote in support of SB 2277.

Thank you for your kind consideration,

*Mary C Tintes*  
 524 Third St E  
 West Fargo, ND 58078  
[mctintes@msn.com](mailto:mctintes@msn.com)  
 (701)238-0714

Testimony in support of  
SB 2277  
January 28, 2013  
By Kathy Hogan, Rep. District 21

Chairman Cook and members of the Finance and Taxation, for the record my name is Kathy Hogan and I represent District 21 which is central Fargo.

This bill has strong support from individuals in my district. Central Fargo is largely composed of middle class families and retired elderly many with limited incomes. Because clothing is a basic necessity, this sales tax is burdensome for those on fixed incomes and although it may appear to be a small amount, it is noticed.

Luckily, Fargo is a border community and individuals can choose to cross the river to purchase clothing without sales tax. Many people do just that. This bill will help ND businesses and citizens.

I urge you to support SB 2277.

**Sinner, George B.**

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**From:** May <mjpomeroy@cableone.net>  
**At:** Monday, January 28, 2013 8:32 AM  
**To:** Sinner, George B.  
**Subject:** Clothing tax

Dear Senator Sinner,  
Thank you for proposing SB 2277. With our state's wealth, now is a good time to give tax relief to those who have not benefited from the oil boom and to others who were hit hard by the recession.

Sincerely,  
May Pomeroy  
D-16

Find the good and praise it.  
by Alex Haley, author of Roots



**Sinner, George B.**

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**From:** Brad Schlossman <BradSchlossman@westacres.com>  
**Date:** Sunday, January 27, 2013 9:11 PM  
**To:** Sinner, George B.  
**Subject:** Testimony on SB 2277


Thanks for your work on this George and thanks for your offer to submit brief testimony on our behalf. I am unable to adjust my schedule at this late hour to attend the hearing.

I testified to Senator Cook's committee last session and didn't see any headway. I am grateful for another chance. Feel free to paraphrase as needed as I don't really have a chance to carefully prepare:

The business climate in North Dakota is one of the best in the nation in many respects.

Yet sales tax on apparel remains a significant contradiction. Now is the time to correct that problem. It is troublesome for North Dakota border town retailers to face a more favorable tax climate in Minnesota. We hear regular anecdotes about customers who choose Minnesota to avoid sales taxes, especially Minnesotans who won't shop North Dakota for that stated reason.

Therefore, West Acres would appreciate your support for SB 2277 to remove the taxation from clothing. We should not be giving the Gopher state the edge in such a significant area.

 Thank you for your consideration.

Sincerely,

Brad Schlossman, CEO  
West Acres Development, LLP  
3902 13th Ave S #3717  
Fargo, ND 58103



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## Sinner, George B.

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**From:** Sharron Brady <skbrady@drtel.net>  
**Date:** Monday, January 28, 2013 8:13 AM  
**To:** Sinner, George B.  
**Subject:** Re: TODAY WE NEED YOUR HELP! Hearing Clothing Sales Tax Bill - eliminates the tax

Please ask the committee to support removing the sales tax from clothing in North Dakota. This would benefit many of our state's residents to not pay this tax. Sharron Brady, 53 6th St. N. Ellendale, ND

On 1/28/2013 7:46 AM, Joan Hoffman wrote:

*(Emails at bottom) Please share this with everyone you know to help pass this Bill. I believe that this would be a boost to ND residents and businesses. Your support is needed. All stores in our communities will benefit from this, please share this with them and encourage their support to eliminate sales tax on clothing in North Dakota.*

*This link will take you to the ND Legislative Assembly. You will be able to find the contact information for all ND legislators as well as follow legislations. <http://www.legis.nd.gov/assembly/63-2013>*

*Thanks! Joanie*

----- Original Message -----

**From:** Scott Stofferahn  
**To:** undisclosed-recipients:  
**Sent:** Sunday, January 27, 2013 11:12 PM  
**Subject:** Fwd: Hearing Clothing Sales Tax Bill

Friends,

Below is a message from Senator George Sinner. I encourage you to write a short message to Senator Sinner expressing your support for the elimination of sales tax on clothing in North Dakota.

As you are well aware, many tax proposals have advanced in the ND Legislature. Many of those proposals are targeted toward individuals and companies that really don't need the tax relief. Yet a large segment of our population may not participate in tax relief because they don't own property, they don't have high income, or they aren't an out of state corporation visiting the state to extract minerals.

There is one proposal what would be especially beneficial to all North Dakotans. Clothing is a necessity for everyone, and low income or elderly pay a larger portion of their income in sales tax than nearly everyone else. We can make North Dakota's sales tax more fair by getting behind Senator Sinner's proposal.





George Sinner &lt;sinnerforsenate@gmail.com&gt;

**SENATE BILL NO. 2277**

1 message

Joan Hoffman &lt;ljhofman@drtel.net&gt;

Mon, Jan 28, 2013 at 8:42 AM

To: dcook@nd.gov, tomcampbell@nd.gov, raburckhard@nd.gov, jdotzenrod@nd.gov, jtmiller@nd.gov, doehlke@nd.gov, ctriplett@nd.gov

*DATE: January 28, 2013*

*TO: Chairman Dwight Cook  
 Vice Chair Tom Campbell  
 Sen. Randy Burckhard  
 Sen. Jim Dotzenrod  
 Sen. Joe Miller  
 Sen. Dave Oehlke  
 Sen. Connie Triplett*

*RE: SENATE BILL NO. 2277**Introduced by**Senators: Sinner, Mathern**Representatives: Haak, Hanson, Hogan, S. Kelsh****I am sending this to encourage your support of Senate Bill No. 2277***

*Sales tax exemption for clothing - Allocation of replacement revenue  
 to cities and counties -Continuing appropriation.*

*Living on the boarder of South Dakota, I believe that passage of this bill will benefit all businesses in our adjoining counties. Our True Value, Farmers Union and Mahler's Variety store are a few of the options where residents and tourists can purchase clothing.*


*Like the exemption of sales tax on our food, this can be a good promotion for our businesses, communities and state.*

*As tourists visit our state and our stores, the announcement of "NO SALES TAX ON CLOTHING" can help boost sales on other items as they make their clothing selections..*

*Consider the savings for our residents, families, college students and our senior citizens. The elimination of this tax will allow the dollars they save to be invested in other life necessities.*

*Not having sales tax on food has been a positive support for our businesses, residents and families, I firmly believe that you support of this Bill will also provide important benefits..*

*I ask for your support Senate Bill No 2277 to end sales tax on clothing in our state. It is an important Bill that will benefit every resident in our state.*



*Respectfully,  
Joan Hoffman  
701-349-4642  
1410 1st St North  
Ellendale, ND 58436*



PROPOSED AMENDMENTS TO SENATE BILL NO. 2277

Page 1, line 2, replace "an" with "a continuing"

Page 1, remove lines 10 through 14

Page 5, after line 1, insert:

"8. Notwithstanding any other provision of law, the state treasurer shall deposit in the home rule charter sales tax reimbursement fund, which is hereby created, a portion of the sales and use taxes collected under this chapter and chapter 57-40.2, equal to \$4,850,000. The deposit to the fund must be made no later than July 31 of each year for the purpose of offsetting the reduction in city or county revenue lost from the exemption in this section. The revenues deposited in the home rule charter sales tax reimbursement fund are provided as a standing and continuing appropriation for distribution by the state treasurer no later than August 31 each year, in the amounts as certified by the tax commissioner, to the home rule cities and counties that impose a sales, use, or gross receipts tax. No later than June 30 of each year, the tax commissioner shall certify to the state treasurer the annual allocation of funds to the cities and counties prorated in proportion to the respective share of each city and county in respect to total annual statewide city and county home rule sales, use, or gross receipts tax collections in the previous calendar year."

Page 5, remove lines 2 through 6

Page 5, line 7, replace "3" with "2"

Renumber accordingly

Testimony to the Senate Finance & Tax Committee

Monday, Jan. 28, 2013

Chairman Cook and members of the Senate Finance & Tax committee,

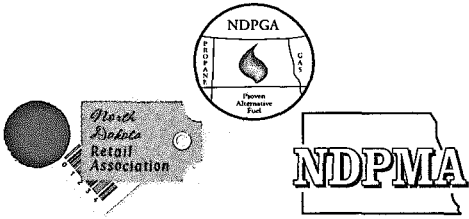
My name is Jessica Haak, Representative from District 12 in Jamestown

This is primarily a tax reduction bill. It would be felt by every person who purchases clothing in North Dakota, and offer a competitive edge with Minnesota and Montana that right now do not charge sales tax on clothing.

Clothing stores are also competing against online retailers who don't pay any tax on clothing. While the math is not exact, a 6 ½% online price advantage has to be an incentive for a consumer to shop online rather than patronize a North Dakota retailer.

We should exempt clothing for the same reason we exempt food, it is a necessary item that everyone needs. It is not as essential as food, but you cannot do without warm clothing and pretty good shoes in North Dakota. We already exempt groceries, prescription drugs, eyeglasses and hearing aids. The next logical necessity to exempt is clothing.

I would urge the committee to vote a do pass on this bill and will stand for any question.



North Dakota Retail Association  
 ND Petroleum Marketers Association  
 North Dakota Propane Gas Association

# LEGISLATIVE BULLETIN

## Testimony SB 2277

January 28, 2013 – Senate Finance and Tax

Chairman Cook and members of the Committee:

For the record, my name is Mike Rud. I'm the President of the North Dakota Retail Association. On behalf of our association's 400 members many of which you might frequent, I'm here urging a **"DO PASS" on SB 2277.**

NDRA believes SB 2277 is sound legislation. It would come at a time when the Great State of North Dakota is seeing an economy hitting on all cylinders. This is a bill with the potential to provide tangible financial relief to every citizen in North Dakota. NDRA believes the repeal of state taxes on all clothing items will only enhance the State's business climate.

NDRA looks at the exemption from this angle. I believe the fiscal note on this bill would be roughly 50 million dollars for the upcoming biennium. The best thing about this type of tax relief is this money never leaves the pockets of the general public. This is income the average citizen would still have at their disposal. Let's say 40% or roughly 20 million dollars of this money is then used to make additional purchases within the state. National figures show this money turns over an average of 5 times in a normal economy. If that happens in North Dakota that would be a 100 million dollar boost to the state's business sector, only serving to strengthen state coffers.

In addition, this repeal would come at a time when the state of Minnesota is contemplating reinstalling a portion of its clothing sales tax. This would open state borders to even more shoppers and boosting not only clothing sales, but sales in nearly every other sector of the business community. Let's strike while the iron is hot and grow our economy even more.

Passage of this bill will have immediate positive impacts on our economy. This is money consumers and business owners alike could immediately notice in their pockets.

I urge you to vote "YES" on SB 2277. Thank you for your time and consideration.




Testimony to the Senate Finance & Tax Committee  
Monday, January 28, 2013

Mr. Chairman and members of the committee,

My name is Ben Hanson, Representative from District 16 of Fargo.

District 16 includes much of the area around West Acres in southwest Fargo. District 16 residents, for the most part, are apartment dwellers and thus do not be able to participate in property tax relief.

I come before you today in support of Senate Bill 2277 which would exempt sales of clothing from sales and use tax. This bill would also provide reimbursement of lost revenues to political subdivisions that currently levy a sales tax. However, it would restrict sales taxes on clothing items.



A recent study by Elizabeth Cline reported in "Overdressed", Ms. Cline states that the average American person spends approximately \$1100 per year on clothing. That correlates to \$77 of tax per person or \$308 per year for a family of four in North Dakota.

Studies show that shoppers are motivated by the lure of "no sales tax on clothing" and this is obvious by the comment recently made by Maureen Bausch, the EVP of Business Development for the Mall of America. "When people are deciding whether to come to Minnesota, the fact that we don't have a tax on clothing is one of the top three factors. If we add this tax on apparel, it will absolutely affect our tourism trade." For the record, in the recent budget proposal in Minnesota, Governor Dayton has proposed adding sales tax on individual clothing items of \$200 or more.



Mr. Chairman and members of the committee, I strongly urge you to give SB 2277 a Do-Pass recommendation from this committee.